

**Three-Country Statement of Principles for the North American Product
Classification System (NAPCS)**
(Adopted May 4, 1999)

Statistics Canada, Mexico's Instituto Nacional de Estadística, Geografía e Informática (INEGI), and the Economic Classification Policy Committee (ECPC) of the United States, acting on behalf of the Office of Management and Budget, have agreed that a common product classification system for the three North American countries is needed and should be put in place. They have further agreed that the new North American Product Classification System (NAPCS) should conform to the following principles:

1. The statistical agencies of the three countries acknowledge that market-oriented, or demand-based, economic data are required for many purposes, including studies of market shares and the demand for goods and services domestically consumed and internationally traded. Therefore, the three countries agree that the new North American Product Classification System should be based on a demand-based conceptual framework. A product classification system erected on a market-oriented or demand-based conceptual framework will assure maximum usefulness of product statistics for these and similar purposes.
2. The NAPCS will be a system for classifying all products produced by NAICS industries. However, the NAPCS structure will be independent of the NAICS structure since each of these classification systems provides different perspectives and jointly enhance the analytical potential of the resulting data.
3. The statistical agencies of the three countries agree to give special attention to identifying products and developing demand-based classifications that encompass: (a) service products in general; (b) new products; and (c) advanced technology products. For all products, statistical agencies will actively seek out industry expertise in all three countries, in order to generate the information required to identify products that can be defined, measured and for which prices can be established in accordance with the agreed upon demand-based economic concept.
4. In the interest of a wider range of international comparisons, the three countries agree to strive for compatibility between the detailed products of the North American Product Classification System and the most detailed level of the Central Product Classification (CPC), version 1.0, to the extent appropriate within a demand-based conceptual framework.
5. Phase I of the development initiative will result in a detailed list of products derived from four NAICS areas: Information (Sector 51); Finance (Subsectors 521, 522, 523, and 525); Professional, Scientific and Technical Services (Sector 54); and Administrative and Support and Waste Management and Remediation Services (Sector 56). The statistical agencies agree to complete Phase I during 2000. Subsequently, if Phase I is successful, it is expected that the three countries will commit to extending NAPCS to the full range of products classified within a demand-based framework by 2007.